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BRICS AND NEW MULTILATERAL DEVELOPMENT BANKS: TOWARDS RECALIBRATION OF GLOBAL ECONOMIC GOVERNANCE[1]

Current literature on contribution of BRICS to global economic governance circulates around three debates, which are rather loosely connected strands. The first debate discusses the role of emerging powers categorised or acronymised most often as BRICS in transforming world order (Duggan, 2015). The evolution of BRICS agenda is carried out within 'goverance' which is, as Lowrence Finkelstein noted, "fuzzier word than government" (Finkelstein, 1995: 367) since the international system notoriously lacks hierarchy and government. Looking for a clearer picture the term 'governance' connotes "a complex set of structures and processes" (Weiss, 2000: 795), which are created on a global scale by international actors to establish "the conditions for ordered rule and collective action" (Stoker, 1997). BRICS economic activism and growig appetite for appropriate share in international politics have been researched ever since Goldman Sachs' analyst, Jim O'Neill, coined this acronym in the report entitled *Building Better Global Economic BRICs* (O'Neill, 2001). At present BRICS' club operating on the interstate and international level is firmly established in global economic governance, understood as: "the international rules-based framework through which economic actors (states, firms, institutionalised agencies, organised groups or individuals) seek to resolve collective action problems and promote cross-border co-ordination and co-operation in the provision or exchange of goods, money, services and technical expertise in defined issue areas of the world economy" (Moschella, Weaver, 2014: 4).

The second debate devoted to BRICS contribution to global economic governance focuses on this group's development, investment, trade, financial policies and security. The activity of Brazil, Russia, India, China and South Africa considered as the pinnacle of power amongst the emerging economies, is seen as a challenge or a threat for current or prospective international order. The example of 'difficult friendship' between India and China – Asia's two great powers and participants in the BRICS college is the case here as these countries involved in complex institutional arrangements, such as Shanghai Cooperation Council (SCO), cooperate at the transnational stage and build fierce commercial and investment competition

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vis-à-vis the West. At the same time, their cooperation efforts are submerged by the unresolved security issues, as well as by the political, historical and cultural asymmetry (Schmidt, 2014). Many observers comment that New Delhi is obsessed with Beijing's rise in the world politics and this is a recurring subject of domestic political debates in India, as opposite to China, which is much more self-confident as the Asian primary power (Malone, Mukherjee, 2011: 137). Both countries strive to leave their imprints on global economic governance structures and thus shape the international order with their accumulating might, but with some of the world's highest levels of inequality and weak prospects of reconciling growth with equality their ascendance is filled with uncertainities (Rewizorski, 2017).

The third debate is devoted to the BRICS policy coordination and cooperation (Larionova, Shelepov, 2015; Kirton, 2013). It analyses progress of BRICS summitry and how it translates into domestic policies of this grouping members.' BRICS institutionalization is considered as a factor influencing effectiveness of the interstate club of South-South cooperation. Its capability in global governance is traced by outcome assessment of global governance functions (deliberation, decision-setting, decision-making, delivery), addressing common challenges, and developing dialogue which bridges political and economic priorities of five members of the BRICS college. This last feature is noteworthy as BRICS, which in common perception is a political forum, devotes 23 per cent of its total discourse to economic issues. Most of which takes building strong, sustainable and balanced global growth, whereas more than 21 per cent is devoted to financial regulation and reformation of the international financial institutions. These two areas dominate the BRICS agenda (Larionova, Shelepov, 2015).

Drawing from all these three stands of the BRICS research, this article addresses the selected issues enmeshed in global economic governance debate. It focuses on a role of the international institutions in the transforming world order, the rise of emerging powers, increasingly categorised or acronymised as BRICS, their resources, power and vested interests. The main narrative brings close phenomenon of the new reshuffling in multilateral development banking (MDB). The New Development Bank (NDB), and the Asian Infrastructure Investment Bank (AIIB) as 'products' of the third wave of MDB emergence, fit well into the process coined as the recalibration of the world economy. It is expressed by the shift of centre of the global economic gravity towards non-western actors and can be explained by the arguments derived from the game theory. They elucidate the exit-voice nexus, where the cost of the exit, for both organization leaders (Western donors) and members (EMDCs, BRICS), is that of the fragmented multilateralism, and where the cost of the aforementioned voice is a decreasing capacity to influence principles and procedures of the multilateral development lending. The article starts with an overview of three waves of multilateral development banking, where the most recent of them is partially explained using game theory argument. Second section starts from accentuating common characteristics of NDB and AIIB and then examines the differences between NDB and AIIB – entities which emerged during the third wave. The final section provides summaries and conclusions.

THREE WAVES OF MULTILATERAL DEVELOPMENT BANKING

MDBs are international institutions of usually regional reach that engage in lending and other activities aiming to foster economic growth and social development in developing countries. Their emergence was inspired by introduction of the post-war Bretton Woods international financial regime.[2] In the Stephen Krasner's influential definition, which stresses the normative dimension of the international politics, "international regimes" are regarded as "implicit or explicit principles, norms, rules and decision-making procedures around which actors' expectations converge in a given area of the international relations" (Krasner, 1983: 1–21). The International Bank for Reconstruction and Development (IBRD), commonly referred to as "the World Bank" (WB), in terms of membership, geographic scope and capitalization has taken place in the 'catbird's' seat atop the field of the international development (Marshall, 2008). Initially offering lending opportunities to the war-devastated European countries, it has later shifted its focus to developing and middle-income countries. Success of the IBRD opened a way to the emergence of the subsequent regional development banks (MDBs), which have appeared in three waves.

The first wave lasted from the mid-1950s to the mid-1970s and coincided with the process of decolonization. The highlight was establishing of the World Bank Group institutions, The International Finance Corporation (IFC), created in 1956, in order for them to partner with and mobilize private sector investments for development, and The International Development Association (IDA), established in 1960, in order to help the world's poorest countries by making grants or concessional loans (long-term loans with low or no interest). Along with the expansion of the World Bank Group, area of development policy was gradually populated by regional development banks (RDBs). First in line was the Inter-American Development Bank (IDB), established in 1959, headquartered in Washington DC, operating throughout the Western hemisphere and aimed at making of loans, and provision of policy advice in such diverse topics as climate change, regional integration, food security and inequality (IDB, 2013). Mid-1960s brought the establishment of the African Development Bank (AfDB). This regional development bank created in 1964, with headquarters in Abidjan, was born without participation of the West. It was established by 23 African countries, many of which had only recently achieved independence. The founding members wanted to set in motion an institution that could specialize in African problems and that would be under African control. They were particularly concerned to create an institution that could overcome the economic constraints that result from the small size of many of the African economies. Consequently, the African Development Bank has always-supposedly-given preference to the loans that would benefit more than one country (ODI, 1992). Asian Development Bank (ADB) was the last of the big regional development banks that had began operations in 1960s. It has diverse membership, ranging from

[2] Regimes should be distinguished from the broader concept of "institutions." All regimes are institutions but not every institution is a regime. The essential feature of regimes is "the conjunction of convergent expectations and patterns of behavior or practice." Regimes aid the "institutionalization" of portions of intemational life by regularizing expectations, but some international institutions such as the balance of power are not bound to explicit rights and rules. cf. Oran Young (1979), p. 16.

microstates in the South-Pacific to the huge emerging markets of India and China, as well as developed economies, such as the USA, Japan and 17 of the European countries. A special role in the ADB is reserved for Japan, which has been the largest vote holder (along with the USA), and has had significant influence over staff (Strand, 2014: 293). IBRD, and major regional MDBs (AfDB, ADB, IDB) share governance and operation characteristics with professional bureaucracies tasked with ensuring effective operating and implementation of decisions made by member governments.In those two primary decision-making bodies, one is comprising all of the members and the latter only a selected set of members. All traditional regional MDBs characterize a specific and unequal voting system based on weighted voting method which reflects members' relative shares of contributions to the banks and echoes the relative positions of members in the world economy.[3]

A second wave of the MDBs took place from the early 1990s to the early 2000s in response to developments in Europe, namely the collapse of communism in Central and Eastern Europe and profound need to nurture the private sector in this new democratic environment. The European Bank of Reconstruction and Development (EBRD) come into being in 1991. EBRD quickly became a key provider of the project financing for banks, industries and businesses; for both new ventures and investments in existing companies, it was also particularly active in supporting privatization, restructurisation of the state-owned companies and improvement of the municipal services. Another European institution, the European Investment Bank (EIB), created in 1958 under the Treaty of Rome, expanded in 2000 to eventually transform into the EIB Group (Wang, 2016). At first broadly defined as a regional development bank, the EIB with the lapse of time began to be considered in the EU rather as "an autonomous instrument of one or more common policies, including industrial policy and development cooperation policy […], promotion of economic and social cohesion – a principle reaffirmed in the protocol annexed to the Treaty of Maastricht – in conjunction with assistance from the Structural Funds and other Community financial instruments" (Bussière et al., 2008). Presently, this long-term lending institution designed to facilitate European integration focuses not entirely on Europe but also invests outside of the region, prioritizing infrastructure, sustainable development, and private sector development.

Third wave of the multilateral development banking has been marked by the creation of the New Development Bank (NDB), also referred to as the "BRICS bank," and the Asian Infrastructure Investment Bank (AIIB). These new banks have appeared at the time of power shift in the international system – from industrialized countries to emerging economies. The already mentioned recalibration of the world economy, with the center of gravity shifting towards the East Asia is the case here, as NDB and AIIB can be considered the shadow institutions of the Bretton Woods system institutions

[3] In contrast to traditional regional MDBs, the Andean Development Corporation - Development Bank of Latin America (por. Corporação Andina de Fomento (CAF) – Banco de Desenvolvimento da América Latina), and the Islamic Development Bank (IsDB) show distinctive features. They are not dependent on Western donors but rely on own resources. CAF is primarily owned and controlled by borrower countries in Latin America and the Caribbean. IsDB consists of non-Western countries, members of the Organization of Islamic Cooperation, and it takes deposits as a way to mobilize financial resources. Moreover, IsDB aims to assist Islamic communities according to sharia.

– especially given the fact that BRICS' and other emerging markets' and developing countries' (EMDCs) voting rights in the IMF and WB do not correspond with their share in the global economy (table 1).

Table 1

The most underrepresented IMF member states with reference to their gross domestic product based on purchasing power parity (GDP PPP)

State	Votes (in % of total) (as of 1.10.2017)	Share in the world economy GDP (PPP)
China	6.09	18.76
India	2.64	7.73
Russia	2.59	3.10
Brazil	2.22	2.49
Indonesia	0.95	2.60
Iran	0.74	1.29
Turkey	0.96	1.68

Source: IMF (2017), *GDP based on PPP, share of world*, World Economic Outlook, October 2017, IMF Data Mapper, http://www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/ADVEC/WEOWORLD/WEQ, (1.10.2017).

BRICS represent 32.1% of the world GDP (PPP), while having only approx. 14.2% voting power in the IMF, while European countries, are allocated 30.2% of votes in the IMF, despite having a mere 18% of output in the world economy. It is therefore no surprise that BRICS and other EMDCs express their dissatisfaction with the unjust representation patterns in executive boards of the international financial institutions (IFIs) such as World Bank, IMF and regional development banks. Europe, acting as a stumbling block for decisive reform, goes hand in hand with other G7 members, all guarding their privileged position. A good case of distorted representation is ADB, ruled by Japan and the USA, both members of G7 holding 45% of the entire subscribed capital and 37.8% of voting rights. By contrast, China and India (the other three BRICS are not ADB members) hold mere 12.8% of total subscribed capital and 10.8% of voting rights (table 2).

Table 2

ADB subscribed capital and voting power (as of 31 December 2016)

Group of countries in ADB	Subscribed capital share (in %)	Voting power (in %)
BRICS (represented only by China and India)	12.8	10.80
G7	45.0	37.80

Source: Author's calculation, ADB, *Annual Report 2016*, http://www.adb.org/documents/adb-annual-report-2016. (12.02.2018).

Japan and the US are by far the biggest shareholders in the ADB, with 15.6% each. China, whose economy in dollar terms surpassed Japan's in 2010, has just 5.5% of voting rights; India, soon to be Asia's and the world's most populous country, has 5.3% (ADB, 2016). This uneven representation has negative impact on capital resources and hence lending capacity. It generates severe financial constraints for both low – and middle-income countries.

Above-mentioned stumbling blocks for increased representation and voice of BRICS in multilateral development banking and infrastructure investment gap pushed members of this interstate club of cooperation to the idea to rebalance MDBs by introducing new solutions. NDB and AIIB, as shadow institutions introduced by the most influencial EMDCs, have become central elements of the exit-voice mechanism, depicted for the first time by the game theorist, Albert O. Hirschman in *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Hirschman, 1970). Hirschman assumed that individuals who are dissatisfied with the performance of the organization they belong to, may try to improve their lot either by 'exiting' from the organization, and thus forgoing the goods or services it provides, or by remaining with the organization but attempting to improve its performance by 'voicing' their discontent (Gehlbach, 2006: 397). Hirschman's model implies that the exit option is generally assumed to be costly and the joint payoff to members and their leadership is greater when exit is avoided. Thus, there is a surplus to be divided between the organization's leadership and its members. The incentive for members to develop their voice, which is manifested by organizing to bargain with the leadership, is to gain a share of this surplus.

Referring Hirschman model to the MDBs representation and voice, it should be noted that rising levels of pressure stemming from EMDCs dissatisfaction concerning their diminished impact on development banking promotes seeking alternative ways of boosting their power by creating parallel institutions to established, traditional, and western-led MDBs. NDB and AIIB, seen this way, can be perceived as the materialization of the 'exit' option, which comes at the cost of fragmented multilateralism. On the other hand, if EMDCs decide to stay within the system of traditional MDBs (such as ADB), cost of their voice is attributed to relative incapacity to influence norms, principles, and procedures. Creation of the shadow institutions by the emerging economies increases the value of exit and consequently makes voice relatively less attractive, even though it boosts the effectiveness of voice, conditional on EMDCs having organized. As Milner and Keohane observed (1996), the availability of the exit creates an advantage of "influence," such as favorable policy treatment or bigger share in decision-making. In their words if capital is less costly to move from country to country, then those owners of capital who can "exit" can use the threat of exit to magnify their political influence, or "voice" (Milner, Keohane, 1996: 19). The voice is neutral but influence stems from "the power of exit," which allows to pose a threat of potential diminishing the traditional lending capacity of the MBDs, and thus facing traditional donors with prospect of losing their upper hand in development finance.

This slightly hidden explanation for bringing the NDB and AIIB into life corresponds with open rationale for their creation. It refers to increase in infrastructure lending and therefore filling the "infrastructure investment gap," which haunts developing economies. According to the Asian Development Bank estimate (ADB, 2017) in the Asian region alone, total investment needed between 2016 and 2030 should be $26 trillion, or $1.7 trillion per year, if the region is to maintain its growth momentum, eradicate poverty, and respond to the climate change. Without the climate change mitigation and adaptation costs, $22.6 trillion will be needed, or $1.5 trillion per year – or 5.9% of the projected GDP (ADB, 2017: xiii).[4] Given that MDB operations in developing Asia (mainly ADB and World Bank), most of which provide support for public sector finance, are estimated to have contributed around only 2.5 per cent of the region's infrastructure investments in 2015 (above 10 per cent if both the PRC and India are excluded), there is still place for third wave regional MDBs – NDB and AIIB. They have been established not only to to fulfil traditional MDB roles of the infrastructure investment through project lending and assistance to the sovereign states through technical expertise to prepare "bankable" projects, but also to act as the guarantees and encouragers of the private investment (Moore, Kerr, 2014).

NDB AND AIIB – APPARENTLY SIMILAR BUT DIFFERENT

As it has been previously noticed, third wave of MDBs has begun with the creation of the NDB and the AIIB. These new banks have arisen at the time of power shift in the international system from industrialized, western countries to emerging economies. Unlike the most traditional MDBs, the NDB and the AIIB are led by EMDCs, with China playing prominent role. NDB, AIIB, Contingent Reserve Arrangement (CRA), and currency swaps are outcomes of the BRICS's intention to reduce reliance on the IMF, the World Bank and the dominance of the US dollar as a reserve currency. In other words, institutionalizing BRICS via creation of development banks and other financial instruments provides tools "through which these states can make their own decisions around project financing without being held hostage to the codes and voting arrangements of existing development finance institutions (DFIs) over which they have limited influence" (Bertelsmann-Scott et al., 2016: 11). Thus, the new DFIs with New Development Bank and Asian Infrastructure Investment Bank can be considered as influence building measures of EMDCs in traditional MDBs and IFIs,[5] and the underpinning of the "power of exit."

Another widespread but corresponding with the aforementioned arguments related to NDB and AIIB development, links these MDBs with China's rise. Beijing is supporting and creating new organizations to fund its policy coined „One Belt One Road" (OBOR) or the New Silk Road strategy – the center-piece of President's Xi Jinping administration, first laid in his speech given in September 2013 (Kazakhstan). China's strategy is primarily based on the Asia Infrastructure Investment Bank AIIB (initially $100 billion capital base), New Silk Road Fund ($40 billion), complimented by the New Development Bank (the BRICS bank) with a maximum authorized capital of $100 billion and the Contingent Reserve Arrangement ($100 billion). NDB is linked to

[4] Climate mitigation costs are estimated at $200 billion annually. These primarily come from the power sector, which is particularly important in controlling carbon emissions through investments in renewable energy, smart grids, and energy efficiency. The transport sector is also important for mitigating climate change through shifts from more carbon-intensive modes of travel (private cars) to less carbon intensive modes (public transit and railways). Countries may need to invest more in railways, but less in highways. Cf. ADB (2017).

[5] International Financial Institutions.

the OBOR policy indirectly, through infrastructure related projects and close cooperation with the AIIB (Chibber, 2017: 4).

Both NDB and AIIB, as agents of the third wave of multilateral development banking, share similarities such as: (1) openness towards cooperation with traditional MDBs (the World Bank, AfDB, ADB, IDB, EBRD); (2) similar focus and overlapping priorities, which facilitate their cooperation in providing loans for major infrastructure projects; (3) very little likelihood of competition and prospects for close and active cooperation, welcomed by BRICS leaders at Ufa summit (BRICS, 2015: 7). Notwithstanding, NDB and AIIB – even now, four years since their creation[6] – are very different in many aspects of their activity, structure, governance and core principles.

Activity (Cooperation)

Early studies devoted to patterns of cooperation between new MDBs and other institutions show that the AIIB seeks to establish cooperation primarily with large institutions in order to use their considerable experience and explore co-financing opportunities for large-scale projects. The NDB, with limited membership and geographical representation, focuses on, *inter alia*, cooperation with MDBs with a small number of participants, national development banks and commercial banks, which allows it to adopt the best international practices and gain experience in specific countries, receive consultative support for issuing bonds and improve financial management (Shelepov, 2017).

In 2016, the AIIB signed co-financing framework agreements and memoranda of understanding with major traditional MDB, i.e. World Bank, ADB, EBRD, EIB.[7] Pivotal importance had framework agreement with the World Bank (AIIB, 2016), which until mid-2017 laid foundations for the co-financing of six projects including investments in infrastructure (transport and energy) in India, Indonesia, Azerbaijan and Pakistan. The AIIB close-up to the World Bank in political terms can be understood as the Chinese soothing signal towards traditional, western-dominated MDBs, that Beijing is not seeking to undermine existing institutions but rather to work towards the same outcomeof the regional development (NY Times, 2015). Nevertheless, the AIIB image is that of the assertion of power associated with the on-going rise of a single actor as a regional and global power. The AIIB is tied to the Chinese 'One Belt, One Road' (OBOR) initiative, which in words of the president of the AIIB, Jin Linqun, is strategy of China's recognition as a responsible member of the international economic community and its leader in future (FT, 2017).

[6] The New Development Bank has been launched at the sixth summit of the BRICS countries, held in Brazil in July 2014. It was decided that the bank will have subscribed starting capital of US $50 billion, with Brazil, Russia, India, China and South Africa initially contributing US $10 billion. Authorised capital is US $100 billion, paid-up capital will be US $10 billion, with US $40 billion callable on demand. AIIB was established in the wake of Memorandum of Understanding on Establishing AIIB, signed on 24 October 2014 in Beijing by representatives from 21 Asian States. The AIIB's initial total capital is $100 billion, with 20% paid-in and 80% callable. China is contributing $50 billion, half of the initial subscribed capital. India is the second-largest shareholder, contributing $8.4 billion.

[7] European Investment Bank.

On the contrary, the New Development Bank highlights value of the cooperation not only with the traditional MDBs (World Bank, ADB), but also with the national development banks and commercial banks. Uniti mid-2017, NDB have signed memoranda of understanding with a number of smaller (in comparison to traditional MDBs) institutions, including Development Bank of Latin America (CAF), ICICI (Industrial Credit and Investment Corporation of India), China Construction Bank, Standard Bank of South Africa Limited, national development banks of BRICS countries (BRICS Interbank Cooperation Mechanism). In the latter case, relevant agreement – Memorandum of Intent on Cooperation between banks participating in the BRICS Interbank Cooperation Mechanism (ICM) and the NDB – was signed at the BRICS Ufa summit in July 2015.

The memorandum has been designed to promote the long-term, interbank cooperation in order to enhance trade and economic relations between the BRICS member nations, as well as to provide support for socially meaningful and regional projects. The agreement includes bank-representatives from BRICS nations, namely: the Brazilian Development Bank (BNDES), State Corporation «Bank for Development and Foreign Economic Affairs (Vnesheconombank)» (Russian Federation), Export-Import Bank of India, China Development Bank Corporation, Development Bank of Southern Africa (DBSA) (ARMS, 2015: 14). The Memorandum provides for the BRICS financing development institutions to support innovation activity and help with ensuring sustainable growth, inflow of investments in infrastructure sectors of economy and high technology manufacturing sectors. The five BRICS banks participating in cooperation mechanism focus on developing multilateral financial cooperation within the BRICS countries and creation of basic mechanisms for settling payments and financing investment projects in local currencies. It is worth noting, that ICM has been updated on 15 October 2016, when the NDB and members of the BRICS Interbank Cooperation Mechanism signed a Memorandum of Understanding on General Cooperation (NDB, 2016). According to the MoU, following the principle of "equality, mutual benefits, responsible financing, and balance of interests," the signing parties will leverage their respective advantages to perform practical cooperation on infrastructure construction and sustainable development in an effort to promote sustainable economic and social development among the BRICS countries. To achieve these aims each of parties agreed to cooperate, in such areas as: finance and co-finance of projects, lines of credit including two-step and back-to-back loan facilities; currency swaps, interest rate swaps and other derivatives; issuance of bonds; joint programs for project finance; public-private partnerships at sovereign and sub-sovereign levels; guarantees and counter-guarantees to secure obligations; development of effective and sustainable financing solutions for projects of mutual interest; investment funds to finance projects in priority sectors; experience and knowledge-sharing in the area of technical assistance for the preparation and implementation of development projects; experience and knowledge-sharing in the development of policies and procedures relating to environmental and social standards, and procurement; exchanges of personnel and other forms of cooperation in human resource management; joint publications, organization of conferences, round tables and other events; maintaining regular dialogue and meetings (NDB 2016: art. 3)

Heart & Spirit (Structure, Governance & Core Principle)

The second difference between third wave MDBs is that AIIB – as instrument of China's diplomatic leverage in terms of its founding declaration – is virtually a copy or a contemporary reproduction of the IBRD and ADB articles of agreement. On the contrary, NDB seems to depart from the model of the above-mentioned traditional MDBs. Miles Kahler (2016) asserts that NDB represents a continuation of "familiar initiatives by newly arrived economies" such as the creation of development banks by the Middle Eastern oil producers in the 1970s.

Judging from organizational structure and governance, the AIIB is a complement to established western-led international development organizations. In terms of governance, it has a structure typical for MDBs: board of governors, board of directors, senior managements headed by the bank's president (Jin Liquin), vice-presidents, their counsellors and advisors recruited from finance and development international experts creating epistemic community serving with impartial advice for managements[8] (AIIB, 2016). There are no significant differences between the AIIB and "traditionals" (such as ADB and World Bank) in terms of their structure and governance, except for two: (1) the AIIB's does not have a resident board of executive directors, which helps to cut back costs on maintaining a residential board; (2) the AIIB gives more decision-making authority to regional countries and the largest shareholder, China (Weiss, 2017).

According to the AIIB's Articles of Agreement, the number of shares allocated to each AIIB member is based on a complex formula that considers the size of the economy, and whether members are regional or non-regional (AIIB, 2015: art. 28). Voting shares of non-regional member countries are capped at 25%. China with 28.8% voting share is the largest shareholder of the AIIB. Striking here is the level of disparity in voting shares between China and other AIIB members, even when comparing it with privileged position of the US in the World Bank (16.3% of the votes) and in the Asian Development Bank (15.6%). Simple illustration shows that China's voting share at the AIIB is over 350% that of the second largest voting-power AIIB member, India (8%). This gap is even bigger given relatively low decision-making power of consecutive largest shareholders after China and India, i.e. Russia (6.6%), Australia (3.8%), and Turkey (2.8%) (AIIB, 2016). Privileged position of China in AIIB, similarly to the USA in the World Bank, translates into an effective veto power at their disposal, as 75% of the votes is required to obtain a super-majority of the AIIB board of governors, and 85% is required, as a super majority, to make decisions in the World Bank. Not only veto mechanism wielded by dominant shareholders but also the composition of staff in AIIB and major traditional MDBs points at their resemblance. AIIB staff is drawn from the talent pool of the existing multilateral financial institutions and it is also hired from the non-membership countries. This 'internationalization' of the AIIB, with its openness and inclusiveness, is exemplified by the case of Stephen Lintner and Natalie Lichtenstein (both Americans) – two prominent and highly respected AIIB se-

[8] AIIB experts created so called International Advisory Panel (IAP) and is recruited mostly from member countries. It supports the president and senior management on the Bank's strategies and policies as well as on general operational issues. cf. AIIB webpage https://www.aiib.org/en/about-aiib/index.html (24.01.2018).

nior officials, who had worked for the World Bank and played pivotal roles in drafting AIIB Memorandum of Understanding (MoU) (He, 2016).

While the AIIB is consistent with a model of structural-driven change in global politics, with China having veto power, and as it is built on the openness for the broad membership given its 57 members, the NDB is much more directed inwards, built on the idea of equal share among its five members. Its collective, infrastructure-building capacity and the result-oriented features were indicated in the BRICS New Delhi Declaration, stating: "We have considered the possibility of setting up a new Development Bank for mobilizing resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, to supplement the existing efforts of multilateral and regional financial institutions for global growth and development. We direct our Finance Ministers to examine the feasibility and viability of such an initiative, set up a joint working group for further study, and report back to us by the next Summit" (BRICS, 2012: par. 13). The NDB, officially launched by the BRICS at its summit in Ufa, Russia, in July 2015, was designed as an institution based on the principle of equitable distribution of rights and responsibilities. Equality was strongly advocated by India. The government of PM, Narendra Modi, argued that the equal share holding will prevent from voice power distortions and overrepresentation visible at the IMF and traditional MDBs, the World Bank and the Asian Development Bank (Hindu, 2014). Whereas the AIIB was brought to life as a part of China's grand strategy and signaled a shift from the regional to the global leadership of Beijing, the NDB signaled a shift from a purely material leverage towards an association with ideational capacity. The BRICS bank has not been even designed as a part of individual effort but from the very beginning became in-built into fragile and heterogenous BRICS club as its 'heart.' Having said this, I mean a collective form of innovative leadership built to turn savings surplus into investments and to overcome the constraints of divergent positions among the BRICS members.

Equality principle – a spirit of BRICS filling its heart – plays a central role here, as an actual catalyst and a potential inhibitor of BRICS cohesion and is anchored in the material and the ideational dimension of the NDB.

In the first case, the equality principle underpins current structure and governance of the NDB by: (1) capital contribution commitments; (2) shared leadership. According to the rules embodied in AIIB Agreement on the New Development Bank, the maximum authorized capital of NDB is $100 billion, with an initial subscribed capital of $50 billion. BRICS members equal contributions are complemented by shared leadership understood as balanced distribution of rights and responsibilities in NDB (tab. 3), present in a fair allocation of executive positions in the bank (tab. 4).

Table 3

Shared leadership in NDB – rights and responsibilities

State	**Brazil**	**Russia**	**India**	**China**	**South Africa**
1	2	3	4	5	6
Position	Board of Directors	Board of Governors	President of the NDB	Headquaters of the NDB	African Regional Centre

1	2	3	4	5	6
Responsibility	General operations of the Bank, approving its budget, taking decisions concerning business strategies, country strategies, loans	Supreme body with authority over the activities of the bank	Day-to-day operations of the bank	Housing of the bank main operations	Housing of the bank regional center
Representative	Marcello de Moura Estevão Filho (Brazil, minister of finance)	Jie Xiao (China, minister of finance)	KV Kamath (India)	Shanghai	Johannesburg

Source: Author's own elaboration based on *New Development Bank – Organization*, https://www.ndb.int/about-us/organisation/governance/ (29.01.2018) and NDB provisions of the 2015 agreement.

The principle of equal rights and responsibilities is also upheld with reference to senior bank officials – president and vice-presidents. According to provisions of the NDB Articles of Agreement, a president is elected by the board of governors from one of the founding members on a rotational basis. President automatically becomes a member of the board of directors but has no vote except a deciding vote in case of an equal division. He is supported by vice-presidents from each founding member, except the country represented by the president. Vice-presidents are appointed by the board of governors on the recommendation of the president, exercise authority and perform functions in the administration of the bank, which are determined by the board of directors. Both the president and each vice-president serve for a 5-year term, non-renewable, except for the first term of the first vice-presidents, whose mandate is 6 years (NDB, 2015: Art. 13).

Table 4

Shared leadership in NDB – senior management in the NDB

Position	Responsibilities	Representative	State
President	Chief of the operating staff of the bank	K. V. Kamath	India
Vice President – Chief Risk Officer	– Risk management – Strategy & partnerships – Economic research	Sarquis José Buainain Sarquis	Brazil
Vice President – HR, IT, Communications & Chief Administrative Officer	– Human resources – Information technology – Corporate communications – Administration	Vladimir Kazbekov	Russia
Vice President – Chief Operation Officer	– Project lending – Operational compliance – Project procurement – Regional offices	Xian Zhu	China
Vice President – Chief Financial Officer	– Treasury management – Finance budgeting – Accounting	Leslie Warren Maasdorp	South Africa

Source: Author's own elaboration based on *New Development Bank – Organization*, https://www.ndb.int/about-us/organisation/governance/ (29.01.2018).

As it has been already indicated, the principle of equality plays here a central role as an actual catalyst, but also as a potential inhibitor of BRICS cohesion, and is anchored not only in the material but also in the ideational dimension of the NDB. BRICS bank is seen by many observers as a proof of heterogeneity of the BRICS' shared identification. This new, and still evolving, institution echoes serious differences in economic profile, domestic political systems, finally geo-political and economic rivalry between China and India for the first place, and, going further, between BRICS veto powers in the United Nations Security Council and hungry for the political clout IBSA – India, Brazil and South Africa. In particular, the Sino-Indian rivalry is the case here. While China offers large financial contributions to the initial, subscribed capital on grounds of efficiency, which in longer perspective can deconstruct equality setting in NDB, India is playing the role of the equality principle guardian. Since the outset of negotiations leading to the launching of the BRICS bank, New Delhi has vigorously, and bitterly at times, defended the equity principle. This was fuelled by rather pessimistic perspectives of reforming post-war IFIs, such as IMF or the World Bank, and super-fast gaining of political clout by Beijing. The other purposes of Indian support for equality principle in NDB referred to necessitation for constant defending of ideational, collective leadership and the will of using cemented BRICS by India as a vehicle to promote their interests beyond regional frontiers. Pointing at this, it shouldn't come as a surprise that the New Development Bank, from the very beginning, became the pivotal agenda item at the March 2012 BRICS summit hosted in New Delhi, a priority drafted even before summit by the finance ministers of BRICS at the special preparatory meeting. China reluctantly agreed on equality as the core principle of the NDB mechanism; however, India paid a heavy price. The cost of non-blocking the establishment of the NDB was expressed in: (1) location of headquarters of the bank and (2) a question of prospective membership in the newly born financial institution.

In the first case, despite India's claims to harbor the NDB headquarters as the inspirational force behind the bank, China forced Shanghai as the location of the main bank operations. The Agreement and the Memorandum of Understanding Regarding the Headquarters of the BRICS New Development Bank (NDB) was signed between Chinese Foreign Minister, Wang Yi, and Mayor of Shanghai, Yang Xiongh, with the NDB President, K.V. Kamath, on February 27, 2016. The construction of the permanent headquarters for BRICS bank has started on the September 2, 2017.[9]

In the second case, India and China clashed over the question of whether the BRICS bank should serve the needs of members of the narrow club or lend also to BRICS non-members. While India stood for the first option, China, propelled by enormous current account surplus, pushed for widening of the client base and developing projects on a global scale. Chinese economic clout was deciding factor in this case. The BRICS countries decided that during the initial phase of NDB operations, only BRICS countries can hold membership, having equal voting power in the decision-making structures of the bank. On 1 April 2017, however, during the 2nd Annual Meeting

[9] Chinese host decided for build enormous office complex, occupying an area of 12,000 square meters. The headquarters of the New Development Bank will have a total floor space of 126,000 square meters. With a height of 150 meters, the building will have 30 floors above ground and four floors underground. The building is expected to be in operation in four years' time. cf. *Construction of BRICS bank headquarters starts in Shanghai*, 4.09.2017, http://www.chinadaily.com.cn/business/2017-09/04/content_31536048.htm (28.01.2018).

of the NDB board of governors in New Delhi, members of BRICS approved Terms, Conditions and Procedures for the Admission of New Members to the New Development Bank, and it was agreed that the Bank will prepare a list of targeted countries to be invited for admission to the NDB and submit the list to the board of governors for approval. However, the modalities of this process are still under discussion.

* * *

New Development Bank and Asian Infrastructure Investment Bank were established during the third wave of multilateral development banking. Their appearance is consistent with the process of power shift in the international system – from industrialized countries to emerging economies. Both, NDB and AIIB, the new development finance institutions, are being used by the emerging powers as the influence-building measures in traditional MDBs and IFIs. As shadow institutions, they have capacity to materialize the 'exit' option, which works as a catalyst for influence, such as favorable policy treatment or bigger share in decision-making. Although both NDB and AIIB, as agents of the third wave of multilateral development banking, share a number of similarities and are 'doomed' to cooperate, their activity, structure, governance and core principles are far from convergence. While the AIIB is an instrument of China's diplomatic leverage, and virtually it is a contemporary reproduction of IBRD and ADB, the NDB seems to depart from the model of the above-mentioned MDB, representing a continuation of familiar initiatives by newly arrived economies. Whereas the AIIB was brought to life as a cogwheel in China's global policy mechanism, signaling a shift from regional power to global superpower, the NDB signaled a shift from material leverage towards an association with ideational capacity. Being founded on the principle of equality amongst even peers, it became a 'heart' containing 'a spirit of BRICS,' the heart built in the fragile and heterogenous interstate club body, containing its very spiritual core, resonating with energy of the collective and innovative leadership built to turn savings surplus into investments and able to overcome constraints of divergent positions among the BRICS members. Forging the heart and filling it with the spirit of equality gave real life to BRICS, which from being an acronym has became an institution, political and economic tool for increasing influence, or, in metaphoric terms, an Automata having its body designed to sustain shocks in the material and spiritual world alike – as balanced distribution of rights and responsibilities is filling the BRICS' heart.

As the NDB is a new creation, there is a question whether coordination in BRICS will suffer if all its five members have an equal share in the same entity? In other words, is it possible to have an equal share in the same entity, without any coordination problems? Or maybe the slump in BRICS' effectiveness is more realistic? For now, it's definitely too early to provide any answers, especially because there are more questions on a horizon. Will "the other three" – Brazil, Russia and South Africa – support India in the defense of the broad principle of equality, the condition embedded in the declaration of the NDB? Will this principle firmly cement BRICS into something more than an acronym or an ideational club full of cracks and inconsistencies? Or maybe Russia, Brazil and South Africa will adhere China, which even now is inflaming concerns about possible inefficiency of NDB? The results of interplay between India and

China will probably decide on the future shape of the heart and spirit of BRICS, the living organism, which has just became something more than an acronym.

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ABSTRACT

This article addresses selected issues enmeshed into global economic governance debate. It focuses on a role of international institutions in transforming world order, in particular the rise of emerging powers increasingly categorised or acronymised as BRICS, their resources, power and vested interests. The main narrative brings close the phenomenon of the new reshuffling in multilateral development banking (MDB). The New Development Bank (NDB), and the Asian Infrastructure Investment Bank (AIIB) as 'products' of the third wave of MDB emergence, fit well into the process coined as 'the recalibration of the world economy.' It is expressed by shift of the centre of global economic gravity towards non-western actors and can be explained by arguments derived from game theory. They elucidate exit – voice nexus, where the cost of exit for both organisation leaders (Western donors) and members (EMDCs, BRICS) is fragmented multilateralism and where the cost of voice is decreasing capacity to influence principles and procedures of multilateral development lending. The article in the first section starts with overview of three waves of multilateral development banking, where the most recent of them is partially explained using game theory argument. Second section starts from accentuating common characteristics of NDB and AIIB and then examines the differences between NDB and AIIB – entities which emerged during the third wave. The final section provides summaries and conclusions.

Keywords: BRICS, Multilateral Development Banks, Global Economic Governance, Infrastructure Investment Gap

BRICS I NOWE WIELOSTRONNE BANKI ROZWOJU: W KIERUNKU REKALIBRACJI GLOBALNEGO ZARZĄDZANIA

STRESZCZENIE

Artykuł porusza wybrane zagadnienia związane z debatą na temat globalnego zarządzania gospodarczego. Koncentruje się na roli instytucji międzynarodowych w przekształcaniu porządku światowego, w szczególności w odniesieniu do wzrostu znaczenia potęg wschodzących, coraz częściej kategoryzowanych lub akronimizowanych jako BRICS, ich zasobów, władzy i żywotnych interesów. Główna narracja przybliża zjawisko najnowszych tendencji rozwojowych w wielostronnej bankowości rozwojowej (MDB). Nowy Bank Rozwoju (NDB) i Azjatycki Bank Inwestycji Infrastrukturalnych (AIIB) jako "produkty" trzeciej fali pojawiania się MDB, dobrze wpisują się w proces określany jako "rekalibracja gospodarki światowej." Wyraża się on poprzez przesunięcie środka globalnej grawitacji ekonomicznej w stronę niezachodnich aktorów, co można to wytłumaczyć argumentami wywodzącymi się z teorii gier. Wyjaśniają one związek między wyjściem a głosami, w którym kosztem wyjścia zarówno dla liderów organizacji (dawców z Zachodu), jak i dla członków organizacji (EMDC, BRICS) jest rozdrobniony multilateralizm, a kosztem głosu jest zmniejszenie zdolności wpływania na zasady i procedury wielostronnych pożyczek rozwojowych. W pierwszej części artykułu dokonuje się przeglądu trzech fal wielostronnej bankowości rozwojowej, przy czym ostatnią z nich częściowo wyjaśniono za pomocą argumentów zaczerpniętych z teorii gier. Drugą część zaczęto od zaakcentowania wspólnych cech NDB i AIIB, po czym zbadano różnice pomiędzy NDB i AIIB – podmiotami, które pojawiły się podczas trzeciej fali. Ostatnia sekcja artykułu zawiera podsumowanie i wnioski.

Słowa kluczowe: BRICS, wielostronne banki rozwoju, globalne zarządzanie gospodarcze, luka w inwestycjach infrastrukturalnych